

MEMORANDUM FOR: Ann

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& Attached.

Please file attached



## COMPARISON OF CURRENT AND PROPOSED RETIREMENT SYSTEMS (AS OF 21 FEB 86)

|  | Current<br>CSRS  | Proposed House/Senate<br>Plan for Post-1983<br>Employees-CSRS   | Current<br>CIARDS    | Current<br>*Special Category-CSRS   | Current<br>Foreign Service | Proposed House/Senate Plan for<br>Post-1983 Employees-CIARDS/<br>SpecCategory-CSRS/Foreign Serv   |
|--|--|---|----------------------|---|----------------------------|---|
| Retirement<br>Eligibility                    | Age 55 w/30 Yrs Serv<br>Age 60 w/20 Yrs Serv<br>Age 62 w/5 Yrs Serv  | Age 55 w/30 Yrs Serv<br>Age 60 w/20 Yrs Serv<br>Age 62 w/5 Yrs Serv   | Age 50 w/20 Yrs Serv | Age 50 w/20 Yrs Serv<br>Also ATC-any age w/25<br>Yrs Serv   | Age 50 w/20 Yrs<br>Service | Age 50 w/20 Yrs Serv<br>Any Age w/25 Yrs Serv   |
| Retirement<br>Benefit                        | 1.5% X 1st 5 Yrs Serv<br>1.75% x 2nd 5 Yrs Serv<br>2.0% X All Yrs Over 10  | 1% X All Yrs Serv   | 2% X All Yrs Serv    | 2.5% X 1st 20 Yrs<br>2% X All Yrs Over 20<br>ATC-regular CSRS<br>formula-but not less<br>than 50% of High-3 | 2% X All Yrs<br>Service    | 1.7% 1st 20 Yrs<br>Serv plus 1% X Over 20 Yrs   |
| Annuity<br>Supplement                        | None   | *Payable between Age 55<br>to Age 62<br>*Amt added to basic<br>annuity computed to<br>equate annuity income<br>w/aggregate annuity/<br>Soc. Sec. benefit<br>entitlement at Age 62               | None                 | None  | None                       | *Payable between retirement<br>age to Age 62<br>*Amt added to basic annuity<br>income to equate w/aggregate<br>annuity/ Soc.Sec benefit at<br>Age 62.   |
| Salary Base                                  | High-3   | High-3  | High-3               | High-3  | High-3                     | High-3  |
| Max. Benefit                                 | 80%  | No Limit  | 70%                  | 80%   | 70%                        | No Limit  |
| COLA   | Full CPI   | *None to Age 62<br>*CPI minus 1% age 62<br>and over   | Full CPI             | Full CPI  | Full CPI                   | *CPI minus 1% from<br>retirement date   |
| Disability                                   | Same as non-disability<br>w/guaranteed min. of<br>of the lesser of: (1)<br>40% of high-3 or (2)<br>annuity based on serv<br>projected to Age 60. | *Same as non-disability<br>w/guaranteed min. of<br>lesser of: (1)<br>20% of high-3 or (2)<br>annuity based on serv<br>projected to Age 60<br>plus if eligible, Soc.<br>Sec. Disability benefits | Same as CSRS         | Same as CSRS  | Same as CSRS               | *Same as non-disability w/<br>guaranteed min. of lesser of:<br>(1) 20% of high-3 or (2)<br>annuity based on serv pro-<br>jected to Age 60 plus if<br>eligible, Soc.Sec Disability<br>benefits |
| Employee<br>Contribution                     | 7%   | 1.3% (Basic Plan) plus<br>5.7% (Soc. Sec.)  | 7%                   | 7.5%  | 7%                         | 1.8% (Basic Plan) plus<br>5.7% (Soc.Sec.)   |
| Voluntary<br>Capital<br>Accumulation<br>Plan | None   | Max. 10% employee con-<br>tribution w/gov't match-<br>ing up to 5% of employee<br>contribution  | None                 | None  | None                       | Same as Post-1983 CSRS  |

\*Special Category CSRS includes law enforcement officers, fire fighters and air traffic controllers (ATC).

*Annuity Corp.*

|                           | <u>CSRS</u>  | <u>CIARDS</u>           | <u>FOREIGN<br/>SERVICE</u> | <u>MILITARY</u>   | <u>Law Enforcement/<br/>Firefighters, Air<br/>Traffic Controllers<br/>(ATC)</u>   |
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| Retirement<br>Eligibility | Age 55 w/30 Yrs Service<br>Age 60 2/20 Yrs Service<br>Age 62 w/5 Yrs Service   | Age 50/w 20 Yrs service | Age 50/w 20 yrs service    | Any age w/20 Yrs<br>Service   | Age 50/w 20 Yrs<br>Service. Also<br>ATC-Any age with<br>25 Yrs Service.   |
| Retirement<br>Benefit     | 1.5% x 1st Five Yrs Ser.<br>1.75% x 2nd Five Yrs Ser.<br>2.0% x All Yrs over 10  | 2% x All Yrs. Service   | 2% x All Yrs Service       | 2.5% x All Yrs Service<br>(Also covered by Social<br>Security.)     | 2.5% x 1st 20 Yrs.<br>2 % x All Yrs<br>over 20.<br>ATC: Regular CSRS<br>formula-but not<br>less than 50% of<br>High -3. |
| Salary Base               | High - 3   | High - 3                | High - 3                   | Before 9/8/80-Termina-<br>tion salary; after<br>9/8/80 -- High - 3. | High - 3  |
| Maximum Benefit           | 80%  | 70%                     | 70%                        | 75%   | 80%   |
| COLA                      | Full CPI   | Full CPI                | Full CPI                   | Full CPI  | Full CPI  |
| Disability                | Same as non-disability<br>with guaranteed mini-<br>mum of the lesser of<br>(1) 40% of high-3 or<br>(2) annuity based on<br>service projected to<br>age 60. | Same as CSRS            | Same as CSRS               | Up to 75% of base pay.<br>(Also covered by Social<br>Security)      | Same as CSRS  |
| Employee<br>Contribution  | 7%   | 7%                      | 7%                         | None to Retirement<br>Annuity. 5.7% to Social<br>Security.          | 7.5%  |

COMPARISON OF CURRENT RETIREMENT SYSTEMS

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## INFORMATION TO BE PROVIDED TO D/PERS ON RETIREMENT

1. Does the Secretary of State have the same authorities under the Foreign Service Act as the Director does under CIARDS?

Specifically:

- Does the same authority exist to involuntarily retire an employee at age 50 or earlier.

The Foreign Service operates on an "up or out" system. When an employee exceeds the maximum time in class (grade) i.e. is not promoted in a specified time frame, the individual must be retired. If not eligible for an annuity, a gratuity of 1/12 of a year's salary for each year of service.

There is also a retirement based on relative performance. If a promotion board determines the performance of an individual is substandard, an administrative review is conducted within State and if the poor performance is substantiated, the employee can be retired in which case the gratuity rule also applies.

- Does the same authority exist to deny voluntary retirement when employee is eligible for retirement.

Yes. Provisions basically the same as CIARDS.

- Does the authority exist to separate an employee without retirement benefits.

No. An employee may be terminated for cause as will promote the efficiency of the service. However, the employee must be granted a hearing before the Foreign Service Grievance Board before any final action can be taken.

2. Provide statistics on retirement under various categories such as: voluntary, involuntary, disability, death, and any others. (Attachment 1)
3. Statistics on retirement ages under CIARDS and then broken down by career service. (Attachment 2)
4. Average age of those serving overseas. Age 39 overall; by career service:

CS

Number

Age

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5. The average age of those serving in the Foreign Service retirement system. Data not readily available-attempting to obtain from State Dept.
6. Provide the retirement chart showing why there is a 50/50 retirement rate between CIARDS and Civil Service versus a 20/80 mix between these two systems. If possible this should be presented in a bar graph versus a pie chart. (Attachment 3)
7. Some chart depicting the Foreign Service retirement data. (Attachment 4)
8. Are secretaries included in Foreign Service Retirement System. Answer Yes.
9. Vignettes Domestic Service. (Attachment 5)

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Average Age of Retirees

| <u>Year</u> <sup>1</sup> | <u>CIARDS</u> | <u>Civil Service</u> | <u>Combined</u> |
|--------------------------|---------------|----------------------|-----------------|
| 1967                     | 55.1          | 57.1                 | 57.0            |
| 1968                     | 54.3          | 56.6                 | 56.5            |
| 1969                     | 54.4          | 57.3                 | 55.9            |
| 1970                     | 54.9          | 56.7                 | 56.3            |
| 1971                     | 53.2          | 56.5                 | 55.1            |
| 1972                     | 52.7          | 55.9                 | 54.6            |
| 1973                     | 53.3          | 55.3                 | 54.3            |
| 1974                     | 51.7          | 54.5                 | 53.3            |
| 1975                     | 51.8          | 54.3                 | 52.8            |
| 1976                     | 51.0          | 53.9                 | 52.2            |
| 1977                     | 52.0          | 55.0                 | 53.2            |
| 1978                     | 51.4          | 54.6                 | 52.6            |
| 1979                     | 52.3          | 54.7                 | 53.4            |
| 1980                     | 53.1          | 57.1                 | 54.8            |
| 1981                     | 53.3          | 57.5                 | 55.3            |
| 1982                     | 52.8          | 56.9                 | 54.7            |
| 1983                     | 53.6          | 57.8                 | 55.6            |
| 1984                     | 54.1          | 58.1                 | 56.2            |
| 1985                     | 54.5          | 58.0                 | 56.4            |

1. Ending 30 June through 1978, 30 September thereafter.

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## Attachment 2

## FY-1985 CIARDS RETIREES

## AVERAGE AGE, YEARS OVERSEAS SERVICE, AND YEARS FEDERAL SERVICE

| <u>Category</u>      | <u>Average<br/>Age</u> | <u>Average Years<br/>Overseas Service</u> | <u>Average Years<br/>Federal Service</u> |
|----------------------|------------------------|---|--|
| DDO                  | 56                     | 8.2                                       | 33                                       |
| OPS Officer          | 56                     | 10.3                                      | 33                                       |
| Other "D" Careerists | 56                     | 6.7                                       | 33                                       |
| DDA                  | 54                     | 7.9                                       | 32                                       |
| MG&M                 | 57                     | 5.6                                       | 35                                       |
| COMMO                | 51                     | 10.3                                      | 30                                       |
| Other "M" Careerists | 56                     | 6.3                                       | 33                                       |
| DDI                  | 54                     | 5.6                                       | 27                                       |
| DDS&T                | 55                     | 6.5                                       | 31                                       |
| DCI                  | <u>56</u>              | <u>6.1</u>                                | <u>31</u>                                |
| TOTAL CIARDS         | 55                     | 7.7                                       | 32.5                                     |

## AGENCY PARTICIPATION IN RETIREMENT SYSTEMS

### CIARDS Participation: 20% or 50%?

While only 20% of our employees participate in CIARDS, it is true that over half of our "full career employees" (those who remain working for the Agency until retirement) will retire under CIARDS. This is explained by the fact that up to 25% of current Agency CSRS employees can be expected to qualify for CIARDS and nearly 50% of those remaining will separate before achieving retirement eligibility under CSRS. This suggests that only 40% of those employees currently participating in the Civil Service Retirement System will retire under that system while working for the Agency.

By contrast, 95% of our CIARDS qualified participants stay on to retire under CIARDS (see chart 1). Consequently, we can expect at least as many retirements under CIARDS as under CSRS.

### Current Experience:

The stability of this projection is demonstrated by our current experience. Although there are 4 times as many Agency employees participating in CSRS, there are actually 50% more CIARDS participants eligible to retire (see chart 2). Since roughly 20% of the CIARDS participants eligible to retire in a given year actually do so (vs. 30% of eligible CSRS participants), the numbers actually retiring each year from the two systems are comparable.

### Summary:

In the final analysis it appears that 1/3 of our employees ultimately retire under CIARDS, 1/3 under CSRS, and the remaining third separate from the Agency prior to retirement (see chart 3). This underlying reality is hidden by the current CIARDS participation level of 20% which is artificially small because of the time required to qualify for CIARDS.

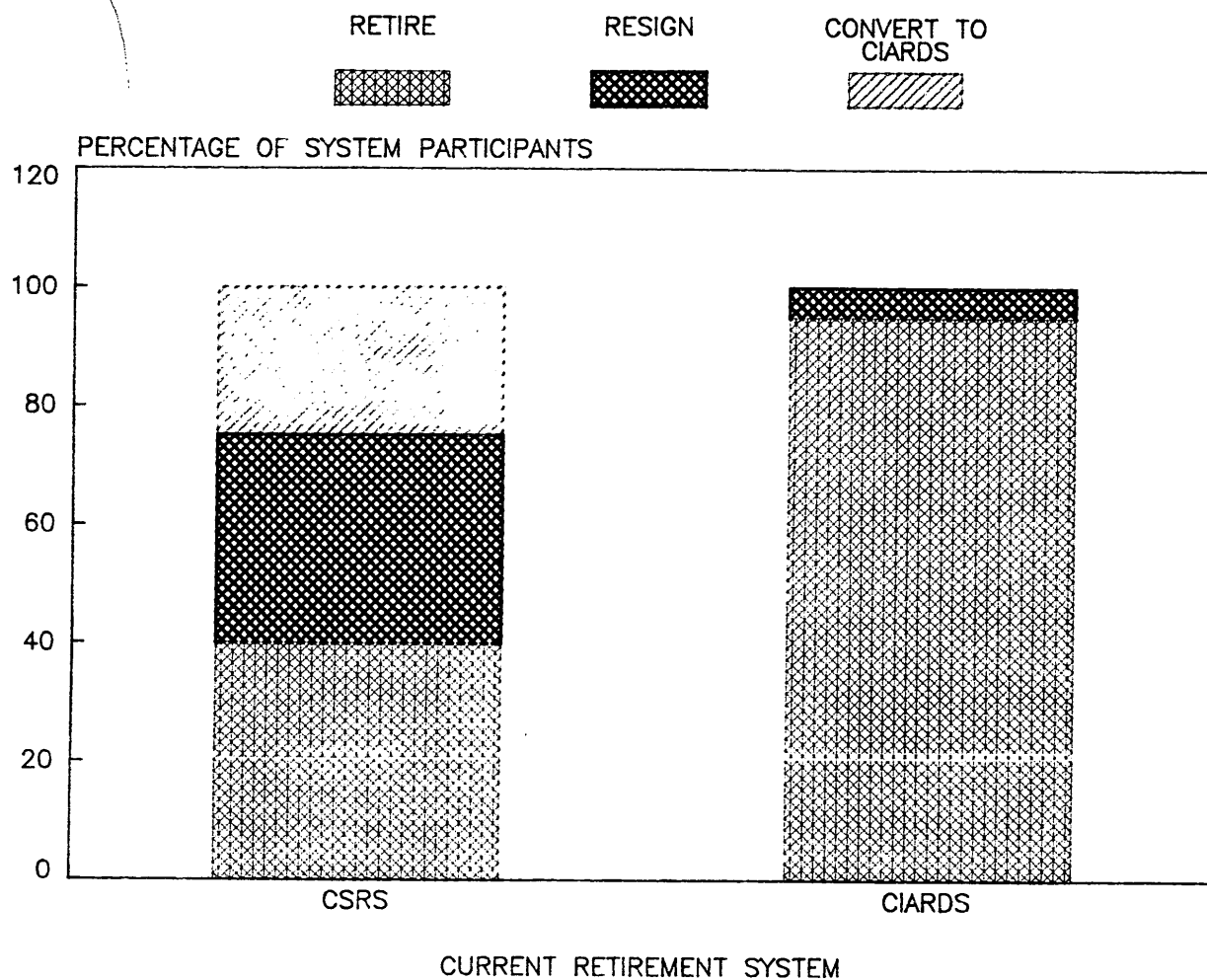
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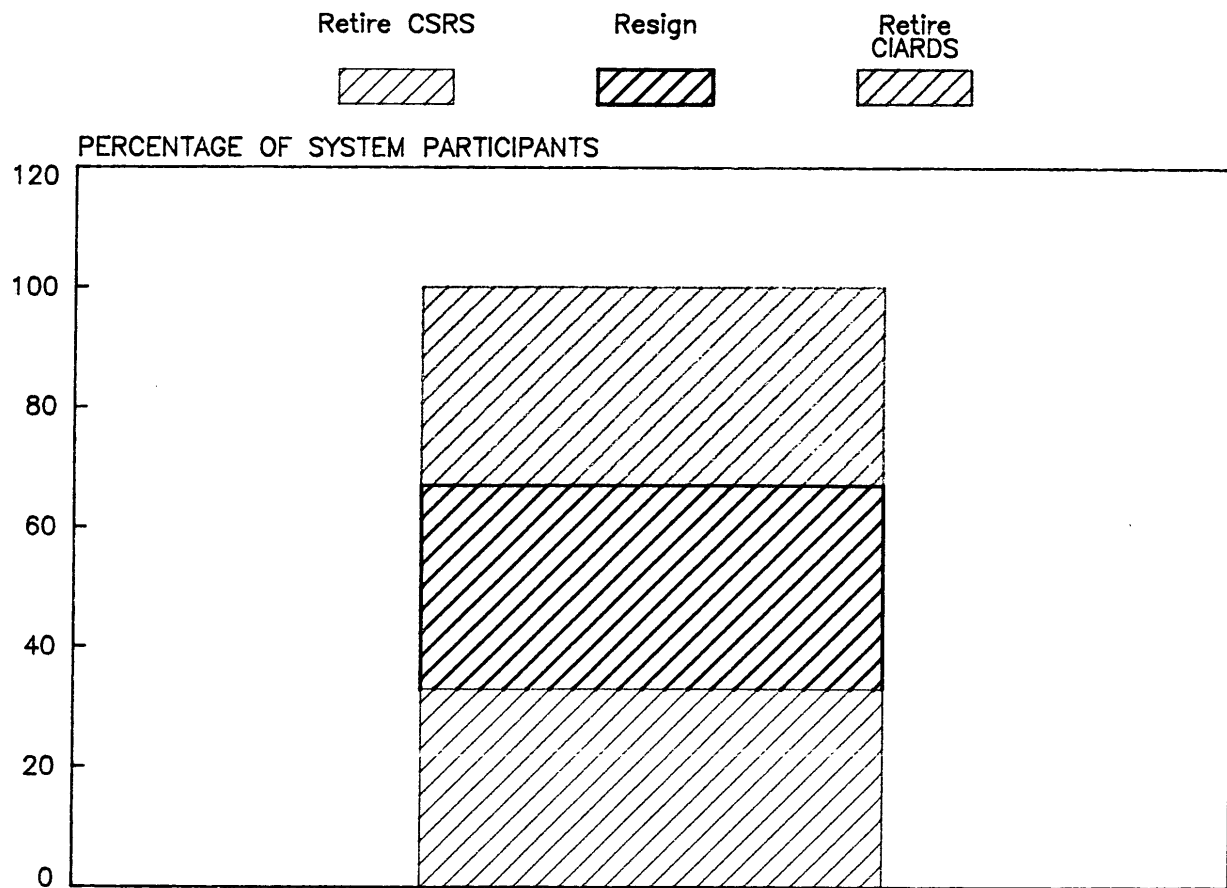
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## LONG TERM SEPARATION PROJECTIONS



## LONG TERM SEPARATION PROJECTIONS



Current Employees

## FACT SHEET

## FOREIGN SERVICE RETIREMENT AND DISABILITY SYSTEM

**PARTICIPATION:** Foreign Service employees of the Department of State (9424), Agency for International Development (2045), United States Information Agency (1800), the Department of Agriculture (285) and the Department of Commerce (137).

**BENEFITS:** Immediate annuity for mandatory retirement (including time-in-class) for employees at top grades, and for voluntary retirements after age 50 with 20 years service. Deferred annuities at age 60 (with exceptions) with minimum of five years service credit.

**FORMULA:**  $2\% \times \text{high-three year average salary} \times \text{years of service credit}$ . Disability retirement based on minimum of 20 years of service. Creditable service limited to 35 years, except for sick leave credit. 50% additional credit for service at unhealthful posts provided the participant did not receive a salary differential for such service.

**REFUNDS:** Upon resignation, refund of employee's contributions, usually with interest at least 3% per year. Upon selection out for those who do not qualify for an immediate annuity (a) gratuity of  $1/12$  of a years salary for each year of service and, (b) refund of employee's contribution.

**CONTRIBUTIONS:** 7% by both employer and employee. Employer also pays interest on unfunded liability and on annuity attributable to military service. Government also authorized to amortize unfunded liability created by new or liberalized benefits over 30 years, and to finance the balance of the normal cost not met by employee and employer contributions.



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